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# FOREIGN RELATIONS AND OVERSEA TRADE

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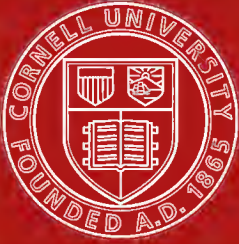
The Southern Commercial Congress  
Muskogee, Oklahoma, April 30th, 1915

by

WILLARD STRAIGHT,  
representing the  
National Foreign Trade Council.

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NEW YORK  
1915



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As good Americans and businessmen, you will agree that we wish to preserve friendly relations with all the world and increase our foreign trade. Taking this for granted, how may we best realize our desires? Having once determined what you want, you set about to get it. The most effective method, you will admit, is to study your problem, anticipate probable and possible difficulties, and make your plans accordingly. You take stock of your own abilities, remedy your deficiencies where you can, and with preparations complete embark upon your enterprise. This, Gentlemen, is my text.

I have already expressed to Dr. Owens, your genial and able Managing Director, and through him to your Governing Board, my appreciation of their invitation to be present on this occasion. They and you have done me great honor in permitting me to address you. It is a privilege to be here, and an opportunity. History is in the making, Gentlemen, and the mills of the Gods are not only grinding exceeding small, but exceeding fast at the present time. Our position in world affairs may be very largely determined by the course which we now follow. We have reached the period in which, as Bismarck prophesied many years ago, we are to undergo the real test of the American Democracy. Our broad lands are rapidly being filled. The period of exploitation is past. The age upon which we are entering will be one of conserva-

tion, of co-operation, of the international division of labor. The various elements in our national life must be co-ordinated to serve a common and national end. Our exports of raw material in normal times no longer wholly suffice to pay for our imports from abroad. Our domestic consumption of foodstuffs and other raw products grows larger each year, and we are in consequence increasingly interested in the selling of our manufactured goods to maintain our trade balance. A trade opportunity brings with it a diplomatic responsibility. The extension of this foreign trade, which we so urgently require, is in no small measure dependent upon the conduct of our foreign relations. I shall, therefor, if you will permit me, call to your attention certain facts—not upon the assumption that you are unfamiliar therewith, but in the hope that an attempt to show the interaction of diplomacy and foreign trade may be of interest.

The progress of the world has been marked by the discovery and co-ordination of forces whose existence and mutual bearing had been previously unsuspected. Just as Science has demonstrated synthetic relationships of which we had been unconscious, so the war which is now devastating Europe has made us suddenly aware that we are not after all isolated from the rest of the world, or by any means independent of each other. You gentlemen of the South who saw a bumper cotton crop held up by the closure of your European markets, have been made very keenly alive to this situation. The Eastern bankers who relied upon your annual shipments to meet the drain of funds caused by tourists expenditure in Europe and interest falling due on American securities held abroad, moreover, found themselves greatly embarrassed by your—which has also been their—predicament. The war, in fact, has X-rayed the body politic, and shown to us the delicately adjusted, closely articulated commercial and financial structure which sustains the vastly diversified business of our country.

Our premises then rest on the following facts: We wish



to, because we must, develop our foreign trade. This development to be permanently successful must be accompanied by a more general understanding of the importance of foreign relations. Like our overseas trade, our diplomatic policy therefore affects no one section of the country and no one phase of our national life, but is directly or indirectly the concern of the whole country and all the people. With this statement I believe you will agree. That being the case what are we going to do about it?

Our attention at the present time, insofar as it is not confined to our own immediate affairs, is very largely concentrated on the trenches in Western Europe, on the battlefields of East Prussia, on the operations in the Dardanelles, and on the diplomatic correspondence which our Government has been exchanging with the various belligerents. This is natural. The true significance of these events, however, lies not in their present military interest, but in the probable effect of the forces now in conflict, and of the forces which this war has called into being, upon the political and economic future. The clash has been long inevitable, and its result for some years at least, we hope, will be decisive. It is this result consecrated on a hundred battlefields—not the battles themselves, that will affect the United States. Our commercial genius and our statesmanship therefore must understand the present and the past in order intelligently to anticipate the future.

The struggles which marked the close of the eighteenth and the beginning of the nineteenth centuries were the military climax of a ferment which bred our own and the French Revolution, and which found renewed expression in the events of 1830 and 1848. Despite the period of reaction which immediately followed the Congress of Vienna, the Napoleonic wars had sealed the fate of absolute monarchy and marked the beginning of constitutional government in Central Europe. We are now witnessing a continuation of the same conflict, which is as old as history and will persist when we are gone. It is in its present manifestation an issue between a paternalism of which militarism is but a phase, and democracy; between two conceptions of

the State as the master or as the servant of the people. For us it is vitally important to observe that Democracy to meet Paternalism is adopting of its own volition the centralized national organization which Paternalism has imposed. Both England and France, like Germany, are no longer armed nations, but nations in arms. Every interest in German national life has been co-ordinated under Government control. It is the remarkable efficiency of this administrative machinery which has enabled her to stand the crucial test so well. The military and naval establishments are but one portion of a complex system which enables the State to gather copper from the village kitchens, administer the grain supply, order the conservation of potato-peelings and the slaughter of pigs which might otherwise consume the cereal needed for the food of the people.

To-day the French and British democracies are themselves constructing similar mechanisms, not as yet so elaborate, but effective in meeting each situation as it may arise. Railway and steamship lines are in effect under Government control. A series of measures, brilliant alike in conception and execution, have not only enabled the British banking system to withstand the sudden shock of war, but have kept the London discount market open for financing Great Britain's foreign trade. War loans have been issued in England and France, as well as Germany, to an amount which almost staggers the imagination, and arrangements have been made between the Finance Ministers of Great Britain, Russia and France for a joint policy by which the three great Allied Governments will meet their own problems and jointly assist in financing some of their weaker fellows. The British Treasury supervises the London, the French Government the Paris, Stock Exchange. In order that the nation's financial resources may be conserved for the prosecution of the war no new foreign loans may be issued in London without the special authorization of the British Treasury. The French Government has for some years exercised a similar power. Besides

extending their control over finance and transportation, the European Governments have in many cases actually assumed, or been empowered to assume, the direction of the manufacture of goods required for the war. A system is being developed which is practically the organization of labor into a national industrial reserve quite as important as the military reserves which guard lines of communication instead of actually being engaged on the firing line. And now further to increase national efficiency the sale of vodka and absinthe has been forbidden in Russia and France, and prohibition in absolute or modified form is advocated in Great Britain.

These steps towards the socialization of the State—not State Socialism—once taken are not likely to be retraced. The value of co-operative effort will be conclusively demonstrated and will be as valuable in the readjustment which will follow the war as it is essential to its successful prosecution.

When the war is over there may, perhaps, be a period of political reaction and of financial and industrial depression throughout Europe. Industry must absorb again the men who are now serving in the field. German foreign trade will be disorganized. The Russian market which has been vitally important will, it is said, be closed as far as possible to German goods. Great Britain's world wide commerce, which has depended largely upon the ability of the London market to finance the foreign consumer, may not flourish as before, because—for a time at least—capital will be required at home and may not be available for foreign development. Yet this dislocation may not be attended by results as serious as some suppose, because the output of the factories will be required in no small measure to make up for the wastage of the war. The whole world, moreover—commercial and financial at least—has been involved in the present crisis. Where all are affected there is a greater likelihood that some common measures will be found gradually, and with a minimum of hardship, to meet new conditions. Therefore, while numberless individuals and lo-

calities may be impoverished, it would seem likely that the world as a whole, though it will suffer, will do so because developments which would have been undertaken will not now be attempted, rather than because of the actual destruction that has taken place.

From the American point of view the most important result of the war will be not the possible temporary financial, commercial and industrial embarrassment in Europe, but the impetus which has been given to more effective national organization in Great Britain and France, as well as in Germany. There will be a new Russia, a consolidated Italy, disciplined and alert States in the Balkans and Scandinavia, and Japan self-confident and self-conscious in the fulfillment of her Imperial destiny.

These are the facts by which we will be confronted and with which we must be prepared to deal. What is our position?

Following the outbreak of hostilities in Europe in August last, we ourselves to a certain extent learned the value and necessity of co-operation.

Luckily for us, the Federal Reserve Board had been appointed before the crisis came. These gentlemen promptly mobilized the banking interests of the country. A syndicate took care of the New York City debt. The so-called gold and cotton "pools" were formed to pay what we owed abroad and to look after the interests of the South. Then, as if by magic, thanks to our enormous exports, the situation was reversed. Where eight months ago it was estimated that we owed Europe three hundred millions of dollars in immediate maturities, it is claimed that, without considering the debit against us because of foreign holdings of American securities, we now have something like six hundred millions due us from the other side. The dislocation of the European exchanges, moratoria, and the urgent necessities of our merchants and our customers, have enabled us, under the provisions

of the Federal Reserve Act in a few months to develop a discount market which, under ordinary circumstances, would have taken us a much longer period to acquire. Through this channel we are financing shipments of goods to and from the United States. Our access to European capital has been cut off, but reserves heretofore unavailable, have been released and we are easily absorbing such American securities as Europe wishes to sell. At the same time, in order to stabilize exchange we are stimulating and facilitating our export trade by granting credits to Europe to pay for goods purchased in this country. For the first time in our history we are through these very necessary operations establishing a market for foreign loans. This education of our public, should make it possible for our bankers later to undertake transactions which, by encouraging development particularly in South America, and perhaps in Russia, will create new markets for American goods. Thus our investors in addition to securing a satisfactory interest return will be utilizing American money for the benefit of American industry.

These recent developments afford an assurance that what has heretofore been the most serious obstacle to the extension of our foreign trade, is now in a fair way to being overcome. We have been accustomed to finance our production. We are now learning to finance the distribution of our goods through the "acceptance" and sale of Bills of Exchange, and the public, by the purchase of foreign securities, is playing its part in granting the credits which our customers require.

The perfection of our selling methods abroad, however, is still a matter demanding careful attention. The President, in his recent address before the United States Chamber of Commerce at Washington, discussed the manner in which our manufacturers might combine in selling organizations for the promotion of their export business. The inhibition placed upon the development of foreign trade by the Sherman Law and the Clayton Bill must be removed if American industry in the

future is successfully to compete with the foreign combinations, which have been and will be developed. This is a problem for the new Federal Trade Commission to solve.

There is also the question of transportation. The Government Shipping Bill was suggested to meet a temporary aggravation of a situation which has long existed. I shall not venture an opinion as to whether or not it would have been successful. One thing, however, is clear; Transportation is a commodity like any other. In our industry we have by a protective tariff assured a certain standard of living to the American workman, and even under the high cost imposed by our navigation laws we have been able to operate vessels in the coast-wise trade by reserving it exclusively for American shipping. But this is impossible in foreign trade where the business of selling transportation is highly competitive. We may be able, despite our high labor costs, to market our manufactured goods abroad because the efficiency of our workmen and the labor-saving devices which we use enable us to keep down the cost of production. But in shipping not only is there no labor-saving machinery, but our navigation laws make it necessary for American ships to carry larger crews than are required to man foreign vessels. If we wish to transport our goods under the American, rather than the British or the German, the Dutch or the Norwegian, flag, we must be prepared to furnish transportation at competitive prices. This can be done in one of two ways: either by permitting American shipowners to purchase and operate vessels on the same basis as their competitors as to the cost of construction and labor charges; or by empowering the Government to bear the difference between the cost of ships and labor in the open world market and the cost thereof under our own tariff and navigation laws. Whether the Government meets this cost by subsidy or by itself buying or building ships involves the question of public or private ownership, not the charge upon the taxpayer. The difference is in name, not in substance, for subsidy—like Government ownership—means that the public pays the

charges which are imposed in the interest of labor. The only difference lies in the fact that a subsidy might encourage investment in a business which has not heretofore promised any interest return, except where, as has frequently been done, American owned ships are operated under foreign flags. If the American people desire a merchant marine and desire at the same time to insist that there should be American officers and that the crews should have certain accommodations, certain food, and be in sufficient numbers to man a certain number of lifeboats, the American people will have to pay—otherwise the business will be done under flags other than our own.

The financing of production and distribution, selling organization and transportation are the principal direct factors in the development of our foreign trade. They immediately concern the merchant and the manufacturer, the farmer, the banker and the shipper, as well as the laboring man, but under our form of administration they are all more or less dependent upon Government action or subject in some measure to Government control. The conduct of our international relations, however, is essentially a Governmental function. It is in reality the promotion of our oversea commerce in the most comprehensive sense, and may be, and is, performed in numerous ways, the variety and the importance of all of which are not sufficiently appreciated.

One of the most striking results of the European war already apparent has been the strengthening of the ties between the United Kingdom and her Colonies. Imperial preference was first discussed after the bonds of Empire had been knit close by the strain of the South African war. It would seem not at all improbable, therefore, that this matter would again be taken up with renewed vigor. Aside from sentimental and political considerations the fact that wages in England have already been increased—and are unlikely to be greatly reduced—and that industry must be assured its profits, will afford an added argument for some form of Imperial British protective tariff;

while the present financial co-operation of England, France and Russia, moreover, may also later form the basis for a customs understanding.

We have regarded the tariff primarily as a source of revenue and as a safeguard and stimulant for American production. We have a Reciprocity Treaty with Cuba, and once discussed a similar agreement with Canada. The provisions of the Underwood-Simmons Act contemplate the negotiation of trade agreements subject to the approval of Congress. But few of us, save when startled by threatened reprisals, have been alive to the possibilities of our tariff and our treaty-making power as diplomatic instruments in the development of our foreign trade. There are certain favors which we can grant and certain things which we ourselves need. The negotiation of reciprocal arrangements should be facilitated and the institution of reprisals made possible. The creation of a Tariff Board composed of representatives of the Departments of State, the Treasury, Commerce, Justice, and Labor, empowered to deal with these matters may before very long be found to be necessary in the interests of American commerce.

We are generally familiar with the effective work performed by our Consular officers, and the ability and enthusiasm which the Secretary of Commerce—Mr. W. C. Redfield—and his assistants have shown in the task of extending American trade. The important functions and the very real services of our Embassies and Legations, however, are apparently not always so clearly appreciated or understood. It is too often supposed that diplomacy has no very direct relation with, or bearing upon, the humdrum affairs of business life. In the minds of some a diplomat is a gentleman in a top hat who makes himself pleasant to ladies at tea parties. There are, it is true, countless matters of routine from the viséing or issue of passports to the presentation of ladies at Court. Yet even these details are important, for they, equally with matters of seemingly far greater moment, affect our position abroad. The work is



definite and technical, and requires trained intelligence, tact and wide knowledge of business and politics. Diplomacy is not an abstract science or system of philosophy, it is really a Court of Equity in international affairs and our foreign relations are but the aggregate of questions in one way or another arising from our oversea commerce. We may not approve of armed intervention in the affairs of another nation to enforce American claims. Such drastic action, on our part, however, is unnecessary save in certain cases, fortunately extremely rare, where general conditions rather than particular interests demand the restoration of law and order. All legitimate American interests abroad whether they be those of the missionary, or the investor, the merchant or the ranchman, are entitled to diplomatic protection and support. Unless such protection and support are assured, foreign enterprise becomes a speculation and not an investment. It will attract gamblers, not sound business men, for the confidence which security begets is the basis of all honest trade. For this protection we look to the Department of State and our Embassies, Legations and Consular establishments. They it is who must safeguard our interests in foreign lands, and adjust questions which may arise between citizens of our country and the Government of another, or between another Government and our own in the development of national policies.

We in this country, unfortunately, have been too prone to look upon our foreign relations as a sort of football which we might kick about to suit the whims of domestic politics. It is not so many years ago that every Fourth of July orator twisted the lion's tail for the edification of his auditors. Our isolation made us not only confident, but unmannerly, in what we considered to be our immunity. We have been inclined to disregard the facts of our history. For this inaccurate teaching and mistaken patriotism have been largely responsible. But surely true patriotism does not consist in playing the ostrich, but in

recognizing, in order to deal with, even disagreeable facts. Otherwise progress becomes impossible.

One hundred years ago we were part of the European system. American independence was but a collateral—though tremendously important—result of the wars which preceded the French Revolution. We passed unscathed through the Napoleonic Era, and emerged essentially uninjured from the War of 1812—not because of our inherent strength, but because England, France and Spain were more vitally concerned elsewhere. In the enunciation of the Monroe Doctrine, which we like to consider particularly our own, we were encouraged by a British Minister, Canning. He sought, not so much to safeguard American liberty as to assure to British merchants opportunities for South American trade by preserving that region from the domination of the Holy Alliance. In China, in Africa, in India, South America and Russia, American merchants played their part in the adventurous trading of the first half of the nineteenth century. But these men, like our statesmen of that time, were largely guided, or at least affected, by the influences which dominated or agitated Europe. In these days our oversea commerce was essential to the life of the nation and our diplomacy was correspondingly important. During the Civil War the clipper ships, famous the world over, were driven from the seas. After 1865 we concentrated our energies upon reconstruction in the South and the opening of the West, severing our more intimate relation with the Continental system and entering upon a period of incubation when we gave little heed to our foreign trade and during which our diplomacy was provincial. In this, as in the preceding stage of our national development, we were secure from outside interference—not so much because of our ability to resist aggression, as because of our geographical position and the pre-occupation of the Powers across the Atlantic. Even in 1895 at the time of the Venezuelan boundary dispute, Lord Salisbury anticipated the coming struggle with Germany and was unwilling to clash with the United States. So later, when Germany endeavored

to form a coalition of the Powers to support Spain, Great Britain refused to participate and held the field clear while we occupied Cuba and Porto Rico and defeated the Spanish fleet at Manila Bay. It would be humiliating to feel that we could not, if called upon to do so, defend the Monroe Doctrine against all comers; but the fact remains that we have been able to develop this, practically the only positive principal in our foreign policy, chiefly thanks to the exigencies of European politics. The Monroe Doctrine, like the "open door" in China, has been accepted lest any interference therewith disturb the delicately adjusted European "Balance of Power."

This "Balance of Power" which has in the past afforded us our protection may, when this war is over, be unbalanced for sometime to come—for one side or the other will probably emerge victorious. The spirit of nationality in Europe will be emphasized. Like the United States after the Civil War, when we induced England to pay the *Alabama* claims—and suggested that the forces of Napoleon III leave Mexico—the nations which have fought may be more, rather than less belligerent: they may be less tolerant of argument and more prone to action. The strengthening of democracy should be a guarantee for the preservation of peace, but it will be a peace in which our friends across the water will be active and aggressive, rather than charitable and considerate.

Following the cessation of hostilities in Europe there will be a readjustment in world affairs unparalleled in history. The future of Europe, of Asia, and Africa will be settled for some time to come and it is inconceivable that the Americas will not be intimately affected by, if indeed they are not included within the scope of, this forthcoming international congress.

During the past few months the Administration in Washington has shown tact, judgment and sound common sense in its efforts to protect our neutral commerce from belligerent interference. It has been inevitable, however, that in the process we have, by the very correctness of our position, provoked bitter criticism in the European press and amongst

the peoples at war. We have made demands which they have considered unreasonable and which they may not readily forget.

We are apt sometimes to be blind to the inconsistencies in our own policy, but that does not by any means make them invisible to others, who perhaps may be quite as unconscious of the beam in their own eye as we are of the mote in ours. Imagine for an instant what our view would be in case American lives and property were sacrificed in, say, China, and if Japan in refusing to allow us to secure satisfaction from the Chinese Government, was unwilling herself to take action. As we would have others do to us, so must we do to them. Therefore, instead of being too vociferous in our denunciation of those whom we feel are restricting our foreign business, it might be well for us to remember that during the past few years British, French and German property has been destroyed in Hayti, Santo Domingo and Mexico. Under the Monroe Doctrine we assumed a benevolent guardianship over the affairs of this hemisphere. We have been granted a comparatively free hand to deal with these questions because European rivalries have been so delicately balanced that no power dared risk dispersing its strength in an American adventure. On the conclusion of hostilities, however, this situation will no longer exist. We may take it for granted that we too shall then be asked for an accounting. We shall either have to fulfil or forego the responsibilities which we have in the eyes of the world at least, assumed for the behavior of our Southern neighbors.

You may feel, perhaps, that in raising this point I have departed from my subject and entered upon a discussion of a domestic question wholly unconnected with our foreign trade or our general foreign relations. If so I cannot agree with you. It is impossible to separate such matters into watertight compartments. When we demand that Russia modify her domestic policy regarding the Jews to recognize American passports carried by our Jewish citizens, we cannot expect Japan and China cheerfully to acquiesce in our exclusion

of their subjects under the American immigration Laws. We cannot impose our will upon another nation in Persia and expect consideration and hearty co-operation in settling a dispute in Peru. We cannot isolate problems in diplomacy and at our discretion say that we will arbitrate this one and settle that one as we may deem desirable. We cannot eat our cake and have it.

This subject is referred to not with any desire to criticize the Administration in Washington, which inherited and did not create the Mexican problem. If we have shirked what our critics consider to be our obvious duties, it has not been so much the fault of President Wilson or Mr. Bryan as it has of the American people whom they represent. We are a Democracy. The very nature of diplomacy requires constructive and farsighted leadership. But with us in the last analysis it must conform to the will of our people, and our foreign policy will be intelligent and effective or otherwise according to the public understanding or ignorance of its relation to our national life.

It is, therefore, imperative that as a nation we should now, while we have yet time, set our house in order. If we would avoid embarrassments for the future, or assume fresh responsibilities, our present obligations must be recognized.

It is foolish, moreover, for us now to talk complacently of capturing British and German trade, because Europe is at war, and because the Monroe Doctrine is supposed to give some sort of a hypnotic claim to the profits of South American commerce. We hear that the trade of the world will be ours; that we shall supplant London as the world's credit center. But we should remember that much of the business upon which we are now engaged is directly attributable to the war, and may be greatly diminished by its conclusion. We should not, therefore, be lulled to a happy sleep by siren songs. We cannot sit down and wait for good things to continue to drop, like ripe apples, into our lap. Once the war is over it will not be long before Europe, commercially and industrially

better organized than before, will aggressively undertake to recoup itself for its losses by extending and developing its foreign trade. Interruption in European exports has made it possible to introduce American goods where heretofore they have been denied a fair trial, but any advantages which we may now gain will be temporary, rather than permanent in character, unless we are able firmly to establish ourselves in the markets which, for the time being, are opened.

Our ability to meet the test will depend upon the quality and prices of our goods, upon the facilities for financing their distribution and upon the efficiency of our selling methods. The activities of our merchants and manufacturers however must be encouraged by an intelligent, alert, and responsible diplomacy, maintaining increasingly cordial relations with the rest of the world with which we desire to do business.

I fear, Gentlemen, that this has been a somewhat rambling talk, that I have offered no concrete suggestions as to ways and means of securing foreign trade. I have certainly not ventured to outline a diplomatic policy for our Government. But you are interested in foreign trade development, and it is the inter-dependence of our foreign relations and our foreign trade that I have endeavored to analyze—their mutual relationship that I have attempted to make clear. I have hoped, by describing the warp and woof, to give an impression of the fabric as a whole, and to show that the problems of both are in reality the same, although expressed, perhaps, in different terms.

To sell goods abroad it is necessary to understand and satisfy a foreign market. To cultivate friendly diplomatic relations it is essential to appreciate and sympathize with the ideals and aspirations of a nation other than our own. Diplomacy, like trade, is largely a matter of square dealing, in apprehending and adjusting differences, as well as common interests—in recognizing, not in dodging, facts. Foreign trade and diplomacy, after all, are like most other human relations. The twin keys to success therein are courtesy and common sense.

As Southerners and as businessmen, you are endowed with the one, and know the value of the other. The future is before us. We wish to share the profits of the world's trade, and creditably to bear our responsibilities in the world's affairs. To realize these aspirations for this democracy of ours we must have confidence in one another, understand the fundamental identity of our interests and co-operate for a common end. The essential thing is to see our problem clearly and, to realize its bearing upon every phase of our national life.

Once we can do this, you know and I know that we shall succeed.









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